

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 FEAЕ-00 INT-05 ERDA-05

OES-03 FPC-01 AGR-05 /104 W

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R 301410Z SEP 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 338

LIMITED OFFICIAL USE SECTION 1 OF 2 TUNIS 5845

E.O. 11652: N/A

TAGS: USTSJC, TS

SUBJ: US-TUNISIAN JOINT COMMISSION--FOREIGN INVESTMENT

STATISTICS AND COMMENTS

REF: STATE 222797; TUNIS 4828

BEGIN UNCLASSIFIED. SUMMARY: RESPONSES TO QUESTIONS RAISED STATE 222797 INCLUDED IN PART 1 BELOW. WE ALSO BELIEVE, AS RECOMMENDED PARA 2 TUNIS 5592, THAT PAPER ON US PRIVATE INVESTMENT POSSIBILITIES AND MEASURES THAT GOT MIGHT TAKE TO INCREASE FLOW SHOULD BE SUBMITTED PRIOR TO JOINT COMMISSION MEETINGS TO GIVE GOT TIME TO CONSIDER PROBLEMS AND TO REIOND DURING MEETINGS. POINTS THAT MIGHT BE INCLUDED IN SUCH PAPER SHOWN IN PART 2 THIS MESSAGE. END SUMMARY.

1. RESPONSE TO STATE 222797

A. ESTIMATED VOLUME OF US INVESTMENT IN TUNISIA
REPORTED TUNIS 4828, WHICH STILL RELATIVELY ACCURATE
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EXCEPT FOR PETROLEUM SECTOR WHICH CLEARLY UNDERESTIMATES

TOTAL. WHILE SUBSTANTIAL INVESTMENTS (ESSO AND MOBIL) IN PETROLEUM MARKETING, STORAGE, HANDLING, BLENDING AND DISTRIBUTION FACILITIES TECHNICALLY AND, AT PRESENT, POLITICALLY DIFFICULT TO ESTIMATE, GROSS CUMULATIVE US INVESTMENT IN PETROLEUM EXPLORATION THROUGH MID-75 ROUGHLY \$31 MILLION, OF WHICH \$7.5 MILLION BY BUTTES, \$12M MOBIL, \$5M IN AMOCO, \$2.2 M GULF/SANTA FE, AND \$1.7M MURPHY. BREAKDOWN BY SOME NOTABLE EXAMPLES (E.G. FIRESTONE, SHERATON, BORDEN, ETC) AVAILABLE FROM OPIC PRINTOUT ON ACTIVE ACCOUNTS. IN ADDITION, SINGER INTERNATIONAL INC., THROUGH ITS FRENCH SUBSIDIARY, ESTABLISHED MANUFACTURING FACILITY IN TUNISIA MANY YEARS AGO, AND SOTAPEX ESTABLISHED THROUGH US AND LEBANESE INVESTMENT TO SORT, REHABILITATE, AND MARKET USED CLOTHING.

B. LICENSING AND FRANCHISE OPERATIONS FOR US GOODS ARE NOT WIDESPREAD. OTHER THAN HILTON HOTEL FRANCHISE CUM MANAGEMENT CONTRACT, POSSIBLY ONLY OTHER LICENSING ARRANGEMENTS ARE FOR SOFT DRINKS, INCLUDING COCA-COLA, PEPSI-COLA AND CRUSH, WITH THEIR SUBSIDIARY MARKS (E.G. FANTA, GINI). LARGE DISTRIBUTORSHIPS EXIST FOR AGRICULTURAL AND INDUSTRIAL EQUIPMENT (E.G. INTERNATIONAL HARVESTER, CATERPILLAR, FORD TRACTORS, CLARK) AND SMALLER ONES FOR OTHER PRODUCTS (E.G. HOSPITAL/MEDICAL, ELECTRONICS, OFFICE MACHINES), BUT THESE TIES ARE SEEN STRICTLY AS COMMERCIAL (I.E., TRADE). END UNCLASSIFIED.

C. BEGIN LOU. DETAILS ON SEVERAL PROJECTS UNDER DISCUSSION, E.G., AGRIBUSINESS COUNCIL/FORREST WALLACE, ARIZONA FEEDS, ROHM AND HAAS, REYNOLDS INTERNATIONAL, AND OTHER MEMBERS OF TIMAN ARE AVAILABLE FROM OPIC WHICH HAS BEEN FOLLOWING THEM CLOSELY. US STEEL EXPRESSED INTEREST IN PHOSPHATE MINING AND PROCESSING AS WELL AS AN OIL DRILLING PLATFORM CONSTRUCTION FACILITY USING FORMER FRENCH NAVAL SHIPYARD AT MENZEL BOURGUIBA. A LATEST REPORT, BOTH PROJECTS HAVE BEEN DROPPED. PREMIER CORP. (MICHIGAN) PROPOSED FEED GRAIN MILL AND VATTLE FATTENING AND SLAUGHTERHOUSE PROJECT BUT PROGRESS, IF ANY, HAS BEEN SLOW. STANDARD BRANDS HAS BEEN DISCUSSING LIMITED OFFICIAL USE

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SEVERAL PROJECTS IN FOOD PROCESSING WITH API, BUT NO CONCRETE RESULTS THUS FAR. ERIE TECHNOLOGICAL PRODUCTS LOOKING AT SEVERAL ME STATES RE POSSIBLE ELECTRONIC COMPONENTS MANUFACTURE WITH LARGEY NON-US FINANCING. PUROLATOR DISCUSSED POSSIBLE OIL FILTER PLANT FOR EXPORT BUT PROGRESS NOT CLEAR. SEIFT TEXTILES AND LEVI STRAUSS HAVE BEEN SEPARATELY CONSIDERING POSSIBLE VENTURE WITH

TUNISIAN STATE TEXTILE ENTERPRISE SOGITEM.

2. EMBASSY SUGGESTS THAT FOLLOWING POINTS BE DRAWN ON FOR PREPARATION OF PAPER ON PROSPECTS FOR GREATER US PRIVATE INVESTMENT TO BE PRESENTED TO GOT IN ADVANCE OF JOINT COMMISSION MEETINGS:

A. GOT ECONOMIC POLICY, LEGAL FRAMEWORK THROUGH LAWS OF 1972 AND 1974 AND BUREAUCRATIC STRUCTURE THROUGH ESTABLISHMENT OF API, HAVE CREATED CONDITIONS CONCUCIVE TO FOREIGN INVESTMENT.

B. ATTRACTIVENESS OF TUNISIA AS FAVORABLE PLACE TO INVEST APPARENT FROM EXCELLENT RESPONSE BY US FIRMS TO VARIOUS PROGRAMS BY GOT, USDOC, AND USG (OPIC INVESTMENT BROCHURE, AYARI VISIT TO US, TIMAN, OPIC LETTER ON TUNISIA, FAVORABLE ARTICLE IN "COMMERCE TODAY"), BUT RESULTS TO DATE HAVE NOT MET OUR OR PROBABLY TUNISIAN EXPECTATIONS.

C. AMONG MEANS WHICH MIGHT FACILITATE POTENTIAL US INVESTORS WOULD BE ADDITION TO API STAFF OF AMERICAN INVESTMENT ADVISOR, AT LEAST UNTIL ENOUGH AMERICAN COMPANIES HAVE INVESTED HERELO CREATE GENERAL CONFIDENCE AMONG THOSE COMPANIES CONSIDERING TUNISIA.
WE HOPE THAT CAUSES WHICH HAVE DELAYED PLACING SUCH ADVISOR WITH UNIDO FUNDING IN API WILL SOON BE OVERCOME.

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INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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D. ONE OF MOST ECONOMICALLY ATTRACTIVE AREAS FOR US
INVESTMENT IS AGRIBUSINESS, BUT US COMPANIES ARE CONCERNED
ABOUT EFFECT OF GOT LAND TENURE LAWS ON THEIR ABILITY TO
OPERATE AN INTEGRATED AND PROFITABLE AGRIBUSINESS
OPERATION. CONFLICTING INFORMATION, WITH SOME GOT
OFFICIALS CONTINUING TO ATTRACT AGRIBUSINESS INVESTMENT
AND OTHERS SAYING SUCH OPERATIONS NOT POSSIBLE, IS NOT
CONDUCIVE TO PROGRESS IN THIS AREA. AGRIBUSINESS VENTURES
ALSO LACK A POINT OF CONTACT AND COORDINATION; ROLE
WHICH API PLAYS FOR INDUSTRIAL VENTURES.

E. RECENT GOT LEVY ON PRODUCTION OF PHOSPHATIC PRODUCTS
IN POSSIBLE VIOLATION OF LETTER AS WELL AS SPIRIT OF
LING-TERM AGREEMENTS AND ITS FINANCIAL IMPACT ON REIGN-
OWNED NPK (20 PER CENT AMERICAN) HAS MADE SOME US FIRMS
QUESTION WILLINGNESS OF GOT TO ALLOW FOREIGN-OWNED FIRMS
TO MAKE ADEQUATE PROFITS IN TUNIS. LACK OF RESOLUTION
OF NPK PROBLEM CREATES CONFUSION AND UNCERTAINTY--TWO
ELEMENTS NOT CONDUCIVE TO NEW INVESTMENT OVERTURES.

3. BELIEVE WASHINGTON AGENCIES FROM THEIR CONTACTS WITH
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US FIRMS INTERESTED IN TUNISIA MAY BE ABLE PROVIDE
ADDITIONAL INFORMATION ON STATUS OF POTENTIAL US
INVESTMENT PROJECTS HERE AND ON ADDITIONAL (BOTH FAVORABLE
AND UNFAVORABLE) FACTORS FOR SUCH INVESTMENT, PARTICULARLY
THOSE WHERE GOT ACTION MIGHT BE HELPFUL TO REMOVING
BOSTACLES. SUGGEST THAT WHEN PAPER IS PREPARED IT BE
TRANSMITTED TELEGRAMMATICALLY FOR TRANSLATION HERE AND
SUBMITTAL TO GOT.

4. RE PARA 4, STATE 2220797, TUNISIAN SIDE
PLANS TO SUBMIT LIST OF PROJECTS TO TRADE AND INVESTMENT
SUBCOMMISSION SIMILAR TO THAT PRESENTED AT IBRD
CONSULTATIVE GROUP MEETING OF AID DONOR COUNTRIES IN
PARIS IN JUNE 1975. DISCUSSION OF SPECIFIC PROJECTS
POTENTIALLY ATTRACTIVE TO FOREIGN INVESTORS ALSO ENVISAGED
WITHIN AVAILABLE TIME LIMITS.
SEELYE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, INVESTMENT CLIMATE, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TUNIS05845
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750338-0770
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975093/aaaaacir.tel
Line Count: 220
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 222797, 75 TUNIS 4828
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by ShawDG>; APPROVED <05 DEC 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US-TUNISIAN JOINT COMMISSION--FOREIGN INVESTMENT STATISTICS AND COMMENTS
TAGS: EINV, TS, US, USTSJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006